

**ANNUAL STATEMENT**

Including Supplements

OF THE

**AMERICAN DENTAL**

**PROVIDERS**

**OF ARKANSAS, INC.**

of **LITTLE ROCK**

in the state of **ARKANSAS**

**TO THE**

**Insurance Department**

**OF THE**

**STATE OF ARKANSAS**

**FOR THE YEAR ENDED  
December 31, 2002**



11559200220100100

HEALTH ANNUAL STATEMENT  
FOR THE YEAR ENDING DECEMBER 31, 2002  
OF THE CONDITION AND AFFAIRS OF THE  
American Dental Providers of Arkansas, Inc.

NAIC Group Code

1219

(Current Period)

0000

(Prior Period)

NAIC Company Code

11559

Employer's ID Number

58-2302163

Organized under the Laws of

Arkansas

, State of Domicile or Port of Entry

Arkansas

Country of Domicile

United States of America

Licensed as business type:

Life, Accident & Health

[ ]

Property/Casualty

[ ]

Hospital, Medical & Dental Service or Indemnity

[ ]

Dental Service Corporation

[ ]

Vision Service Corporation

[ ]

Health Maintenance Organization

[X]

Other

[ ]

Is HMO Federally Qualified?

YES [ ] NO [X]

Date Incorporated or Organized:

January 29, 1997

Date Commenced Business:

March 20, 1997

Statutory Home Office:

11300 Executive Center Drive Suite B

Little Rock,

AR

72211

Main Administrative Office:

100 Mansell Court East Suite 400

Roswell,

GA

30076

770-998-8936

Mail Address:

100 Mansell Court East Suite 400

Roswell,

GA

30076

Primary Location of Books and Records:

100 Mansell Court East Suite 400

Roswell,

GA

30076

770-998-8936

Internet Website Address:

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Policyowner Relations Contact:

100 Mansell Court East Suite 400

Roswell,

GA

30076

770-998-8936

OFFICERS

President

Phyllis Adele Klock

Secretary

Bruce Alexander Mitchell

Treasurer

Actuary

Alan Stewart

Vice-Presidents


DIRECTORS OR TRUSTEES

Phyllis Adele Klock	David Ray Klock	Bruce Alexander Mitchell	

State of Georgia  
County of Fulton ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

(Signature)	(Signature)	(Signature)
Phyllis Adele Klock	Bruce Alexander Mitchell	
(Printed Name)	(Printed Name)	(Printed Name)
President	Secretary	Treasurer

Subscribed and sworn to before me this

24th

day of

February

, 2003

a. Is this an original filing?

YES [X] NO [ ]

b. If no:

1. State the amendment number

2. Date filed

3. Number of pages attached

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets	Net Admitted Assets
1. Bonds	105,177		105,177	104,978
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)			(a)	
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 100,001 , Schedule E-Part 1) and short-term investments (\$ 0 , Schedule DA-Part 2)	100,001		100,001	93,315
6. Other long-term invested assets				
7. Receivable for securities				
8. Aggregate write-ins for invested assets				
9. Subtotal cash and invested assets (Lines 1 to 8)	205,178		205,178	198,293
10. Accident and health premiums due and unpaid	20,703	5,758	14,945	42,446
11. Health care receivables				
12. Amounts recoverable from reinsurers				
13. Net adjustment in assets and liabilities due to foreign exchange rates				
14. Investment income due and accrued	1,050		1,050	1,163
15. Amounts due from parent, subsidiaries and affiliates				
16. Amounts receivable relating to uninsured accident and health plans				
17. Furniture and equipment				
18. Amounts due from agents				
19. Federal and foreign income tax recoverable and interest thereon (including \$ 5,118 net deferred tax asset)	7,042	1,924	5,118	1,908
20. Electronic data processing equipment and software				
21. Other nonadmitted assets				
22. Aggregate write-ins for other than invested assets	1,200	1,200		
23. Total assets (Lines 9 plus 10 through 22)	235,173	8,882	226,291	243,810
DETAILS OF WRITE-INS				
0801.				
0802.				
0803.				
0898. Summary of remaining write-ins for Line 8 from overflow page				
0899. Totals (Lines 0801 through 0803 plus 0898) (Line 8 above)				
2201. Rent Deposit	1,200	1,200		
2202.				
2203.				
2298. Summary of remaining write-ins for Line 22 from overflow page				
2299. Totals (Lines 2201 through 2203 plus 2298) (Line 22 above)	1,200	1,200		

(a) \$ 0 health care delivery assets included in Line 4.1, Column 3.

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ 0 reinsurance ceded)	2,963		2,963	4,246
2. Accrued medical incentive pool and bonus payments	1,194		1,194	204
3. Unpaid claims adjustment expenses				
4. Aggregate policy reserves				
5. Aggregate claim reserves				
6. Premiums received in advance	34,582		34,582	28,828
7. General expenses due or accrued	22,382		22,382	16,146
8. Federal and foreign income tax payable and interest thereon (including \$ 0 on realized capital gains (losses))(including \$ 0 net deferred tax liability)				
9. Amounts withheld or retained for the account of others				
10. Borrowed money (including \$ 0 current) and interest thereon \$ 0 (including \$ 0 current)				
11. Amounts due to parent, subsidiaries and affiliates	19,781		19,781	31,331
12. Payable for securities				
13. Funds held under reinsurance treaties with (\$ 0 authorized reinsurers and \$ 0 unauthorized reinsurers)				
14. Reinsurance in unauthorized companies				
15. Net adjustments in assets and liabilities due to foreign exchange rates				
16. Liability for amounts held under uninsured accident and health plans				
17. Aggregate write-ins for other liabilities (including \$ 700 current)	1,078		1,078	3,728
18. Total liabilities (Lines 1 to 17)	81,980		81,980	84,483
19. Common capital stock	X X X	X X X	100,000	10
20. Preferred capital stock	X X X	X X X		
21. Gross paid in and contributed surplus	X X X	X X X	2,607,976	2,707,966
22. Surplus notes	X X X	X X X		
23. Aggregate write-ins for other than special surplus funds	X X X	X X X		
24. Unassigned funds (surplus)	X X X	X X X	(2,563,665)	(2,548,649)
25. Less treasury stock, at cost:				
25.1 0 shares common (value included in Line 19 \$ 0 )	X X X	X X X		
25.2 0 shares preferred (value included in Line 20 \$ 0 )	X X X	X X X		
26. Total capital and surplus (Lines 19 to 25)	X X X	X X X	144,311	159,327
27. Total liabilities, capital and surplus (Lines 18 and 26)	X X X	X X X	226,291	243,810
DETAILS OF WRITE-INS				
1701. Unearned Enrollment Fees	700		700	1,575
1702. Outstanding Checks Payable	378		378	2,153
1703.				
1798. Summary of remaining write-ins for Line 17 from overflow page				
1799. Totals (Lines 1701 through 1703 plus 1798) (Line 17 above)	1,078		1,078	3,728
2301.	X X X	X X X		
2302.	X X X	X X X		
2303.	X X X	X X X		
2398. Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1	2	3
	Uncovered	Total	Total
1. Member Months	X X X	110,066	132,346
2. Net premium income	X X X	935,529	1,085,803
3. Change in unearned premium reserves and reserve for rate credits	X X X	(5,754)	(12,891)
4. Fee-for-service (net of \$ 0 medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X		
7. Total revenues (Lines 2 to 6)	X X X	929,775	1,072,912
Medical and Hospital:			
8. Hospital/medical benefits			
9. Other professional services		446,932	544,614
10. Outside referrals			
11. Emergency room and out-of-area		1,333	1,327
12. Prescription Drugs			
13. Aggregate write-ins for other medical and hospital			
14. Incentive pool and withhold adjustments		295,048	145,774
15. Subtotal (Lines 8 to 14)		743,313	691,715
Less:			
16. Net reinsurance recoveries			
17. Total medical and hospital (Lines 15 minus 16)		743,313	691,715
18. Claims adjustment expenses			
19. General administrative expenses		272,549	305,510
20. Increase in reserves for accident and health contracts			
21. Total underwriting deductions (Lines 17 through 20)		1,015,862	997,225
22. Net underwriting gain or (loss) (Lines 7 minus 21)	X X X	(86,087)	75,687
23. Net investment income earned		4,321	7,022
24. Net realized capital gains or (losses)			
25. Net investment gains or (losses) (Lines 23 plus 24)		4,321	7,022
26. Net gain or (loss) from agents' or premium balances charged off [( amount recovered \$ 0 ) ( amount charged off \$ 0 )]			
27. Aggregate write-ins for other income or expenses		29,480	36,428
28. Net income or (loss) before federal income taxes (Lines 22 plus 25 plus 26 plus 27)		(52,286)	119,137
29. Federal and foreign income taxes incurred	X X X	(15,598)	41,611
30. Net income (loss)(Lines 28 minus 29)	X X X	(36,688)	77,526
DETAILS OF WRITE-INS			
0601.	X X X		
0602.	X X X		
0603.	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		
1301.			
1302.			
1303.			
1398. Summary of remaining write-ins for Line 13 from overflow page			
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above)			
2701. Administrative Income		29,480	36,428
2702.			
2703.			
2798. Summary of remaining write-ins for Line 27 from overflow page			
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)		29,480	36,428

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1	2
	Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT		
31. Capital and surplus prior reporting year	159,327	538,673
GAINS AND LOSSES TO CAPITAL & SURPLUS		
32. Net income or (loss) from Line 30	(36,688)	77,526
33. Change in valuation basis of aggregate policy and claim reserves		
34. Net unrealized capital gains and losses		
35. Change in net unrealized foreign exchange capital gain or (loss)		
36. Change in net deferred income tax	2,701	(1,391)
37. Change in nonadmitted assets	18,971	(7,174)
38. Change in unauthorized reinsurance		
39. Change in treasury stock		
40. Change in surplus notes		
41. Cumulative effect of changes in accounting principles		5,732
42. Capital Changes:		
42.1 Paid in	99,990	
42.2 Transferred from surplus (Stock Dividend)		
42.3 Transferred to surplus		
43. Surplus adjustments:		
43.1 Paid in	(99,990)	
43.2 Transferred to capital (Stock Dividend)		
43.3 Transferred from capital		
44. Dividends to stockholders		(454,039)
45. Aggregate write-ins for gains or (losses) in surplus		
46. Net change in capital and surplus (Lines 32 to 45)	(15,016)	(379,346)
47. Capital and surplus end of reporting year (Line 31 plus 46)	144,311	159,327
DETAILS OF WRITE-INS		
4501.		
4502.		
4503.		
4598. Summary of remaining write-ins for Line 45 from overflow page		
4599. Totals (Lines 4501 through 4503 plus 4598) (Line 45 above)		

CASH FLOW

Cash from Operations	1 Current Year	2 Prior Year
1. Premiums and revenues collected net of reinsurance	981,492	1,131,166
2. Claims and claims adjustment expenses	743,606	694,084
3. General administrative expenses paid	266,313	301,042
4. Other underwriting income (expenses)		
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4)	(28,427)	136,040
6. Net investment income	4,514	6,957
7. Other income (expenses)	29,480	36,428
8. Federal and foreign income taxes (paid) recovered	15,598	(41,611)
9. Net cash from operations (Lines 5 to 8)	21,165	137,814
Cash from Investments		
10. Proceeds from investments sold, matured or repaid:		
10.1 Bonds	105,000	
10.2 Stocks		
10.3 Mortgage loans		
10.4 Real estate		
10.5 Other invested assets		
10.6 Net gains or (losses) on cash and short-term investments		
10.7 Miscellaneous proceeds		
10.8 Total investment proceeds (Lines 10.1 to 10.7)	105,000	
11. Cost of investments acquired (long-term only):		
11.1 Bonds	105,279	
11.2 Stocks		
11.3 Mortgage loans		
11.4 Real estate		
11.5 Other invested assets		
11.6 Miscellaneous applications		
11.7 Total investments acquired (Lines 11.1 to 11.6)	105,279	
12. Net cash from investments (Line 10.8 minus Line 11.7)	(279)	
Cash from Financing and Miscellaneous Sources		
13. Cash provided:		
13.1 Surplus notes, capital and surplus paid in		
13.2 Net transfers from affiliates		31,331
13.3 Borrowed funds received		
13.4 Other cash provided		3,586
13.5 Total (Lines 13.1 to 13.4)		34,917
14. Cash applied:		
14.1 Dividends to stockholder paid		454,039
14.2 Net transfers to affiliates	11,550	
14.3 Borrowed funds repaid		
14.4 Other applications	2,650	
14.5 Total (Lines 14.1 to 14.4)	14,200	454,039
15. Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5)	(14,200)	(419,122)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
16. Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15)	6,686	(281,308)
17. Cash and short-term investments:		
17.1 Beginning of year	93,315	374,623
17.2 End of year (Line 16 plus Line 17.1)	100,001	93,315

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS (Gain and Loss Exhibit)

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medical Only	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-term Care	Other
1. Net premium income	935,529				935,529								
2. Change in unearned premium reserves and reserve for rate credit	(5,754)				(5,754)								
3. Fee-for-service (net of \$ 0 medical expenses)													
4. Risk revenue													
5. Aggregate write-ins for other health care related revenues													
6. Total revenues (Lines 1 to 5)	929,775				929,775								
7. Medical/hospital benefits													
8. Other professional services	446,932				446,932								
9. Outside referrals													
10. Emergency room and out-of-area	1,333				1,333								
11. Prescription Drugs													
12. Aggregate write-ins for other medical and hospital													
13. Incentive pool and withhold adjustments	295,048				295,048								
14. Subtotal (Lines 7 to 13)	743,313				743,313								
15. Net reinsurance recoveries													
16. Total medical and hospital (Lines 14 minus 15)	743,313				743,313								
17. Claims adjustment expenses													
18. General administrative expenses	272,549				272,549								
19. Increase in reserves for accident and health contracts													
20. Total underwriting deductions (Lines 16 to 19)	1,015,862				1,015,862								
21. Net underwriting gain or (loss) (Line 6 minus Line 20)	(86,087)				(86,087)								
DETAILS OF WRITE-INS													
0501.													
0502.													
0503.													
0598. Summary of remaining write-ins for Line 5 from overflow page													
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)													
1201.													
1202.													
1203.													
1298. Summary of remaining write-ins for Line 12 from overflow page													
1299. Totals (Lines 1201 through 1203 plus 1298) (Line 12 above)													



UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (medical and hospital)				
2. Medicare Supplement				
3. Dental only	935,529			935,529
4. Vision only				
5. Federal Employees Health Benefits Plan Premiums				
6. Title XVIII - Medicare				
7. Title XIX - Medicaid				
8. Other				
9. Totals	935,529			935,529

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Payments during the year:									
1.1 Direct	449,548			449,548					
1.2 Reinsurance assumed									
1.3 Reinsurance ceded									
1.4 Net	449,548			449,548					
2. Paid medical incentive pools and bonuses	294,058			294,058					
3. Claim Liability December 31, current year from Part 2A:									
3.1 Direct	2,963			2,963					
3.2 Reinsurance assumed									
3.3 Reinsurance ceded									
3.4 Net	2,963			2,963					
4. Claim reserve December 31, current year from Part 2D:									
4.1 Direct									
4.2 Reinsurance assumed									
4.3 Reinsurance ceded									
4.4 Net									
5. Accrued medical incentive pools and bonuses, current year	1,194			1,194					
6. Amounts recoverable from reinsurers December 31, current year									
7. Claim Liability December 31, prior year from Part 2A:									
7.1 Direct	4,246			4,246					
7.2 Reinsurance assumed									
7.3 Reinsurance ceded									
7.4 Net	4,246			4,246					
8. Claim reserve December 31, prior year from Part 2D:									
8.1 Direct									
8.2 Reinsurance assumed									
8.3 Reinsurance ceded									
8.4 Net									
9. Accrued medical incentive pools and bonuses, prior year	204			204					
10. Amounts recoverable from reinsurers December 31, prior year									
11. Incurred benefits:									
11.1 Direct	448,265			448,265					
11.2 Reinsurance assumed									
11.3 Reinsurance ceded									
11.4 Net	448,265			448,265					
12. Incurred medical incentive pools and bonuses	295,048			295,048					

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Reported in Process of Adjustment:									
1.1 Direct									
1.2 Reinsurance assumed									
1.3 Reinsurance ceded									
1.4 Net									
2. Incurred but Unreported:									
2.1 Direct	2,963			2,963					
2.2 Reinsurance assumed									
2.3 Reinsurance ceded									
2.4 Net	2,963			2,963					
3. Amount Withheld from Paid Claims and Capitations:									
3.1 Direct									
3.2 Reinsurance assumed									
3.3 Reinsurance ceded									
3.4 Net									
4. TOTALS:									
4.1 Direct	2,963			2,963					
4.2 Reinsurance assumed									
4.3 Reinsurance ceded									
4.4 Net	2,963			2,963					

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (medical and hospital)						
2. Medicare Supplement						
3. Dental Only	4,246	445,302		2,963	4,246	4,246
4. Vision Only						
5. Federal Employees Health Benefits Plan Premiums						
6. Title XVIII - Medicare						
7. Title XIX - Medicaid						
8. Other						
9. Subtotal	4,246	445,302		2,963	4,246	4,246
10. Medical incentive pools, accruals and disbursements	204	293,854		1,194	204	204
11. Totals	4,450	739,156		4,157	4,450	4,450

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

Hospital & Medical

Section A - Paid Claims

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	X X X				
4. 2000	X X X	X X X			
5. 2001	X X X	X X X	X X X		
6. 2002	X X X	X X X	X X X	X X X	

Section B - Incurred Claims

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	X X X				
4. 2000	X X X	X X X			
5. 2001	X X X	X X X	X X X		
6. 2002	X X X	X X X	X X X	X X X	

Section C - Incurred Year Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3 / 2) Percent	5  Claims and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5 / 1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9 / 1) Percent
1. Prior to 1998	X X X			X X X		X X X				X X X
2. 1998										
3. 1999										
4. 2000										
5. 2001										
6. 2002										
7. Total (Lines 1 through 6)	X X X			X X X		X X X				X X X
8. Total (Lines 2 through 6)		X X X	X X X		X X X		X X X	X X X	X X X	

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED CLAIMS

(000 Omitted)

Medicare Supplement

Section A - Paid Claims

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	X X X				
4. 2000	X X X	X X X			
5. 2001	X X X	X X X	X X X		
6. 2002	X X X	X X X	X X X	X X X	

Section B - Incurred Claims

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	X X X				
4. 2000	X X X	X X X			
5. 2001	X X X	X X X	X X X		
6. 2002	X X X	X X X	X X X	X X X	

Section C - Incurred Year Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3 / 2) Percent	5  Claims and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5 / 1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9 / 1) Percent
1. Prior to 1998	X X X			X X X		X X X				X X X
2. 1998										
3. 1999										
4. 2000										
5. 2001										
6. 2002										
7. Total (Lines 1 through 6)	X X X			X X X		X X X				X X X
8. Total (Lines 2 through 6)		X X X	X X X		X X X		X X X	X X X	X X X	

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED CLAIMS

(000 Omitted)

Dental Only

Section A - Paid Claims

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	X X X				
4. 2000	X X X	X X X	4		
5. 2001	X X X	X X X	X X X	545	4
6. 2002	X X X	X X X	X X X	X X X	445

Section B - Incurred Claims

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	X X X				
4. 2000	X X X	X X X	4		
5. 2001	X X X	X X X	X X X	542	4
6. 2002	X X X	X X X	X X X	X X X	448

Section C - Incurred Year Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3 / 2) Percent	5  Claims and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5 / 1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9 / 1) Percent
1. Prior to 1998	X X X			X X X		X X X				X X X
2. 1998	1,286	886			886	68.896			886	68.896
3. 1999	1,165	784			784	67.296			784	67.296
4. 2000	1,254	726			726	57.895			726	57.895
5. 2001	1,073	548			548	51.072			548	51.072
6. 2002	940	449			449	47.766	4		453	48.191
7. Total (Lines 1 through 6)	X X X	3,393		X X X	3,393	X X X	4		3,397	X X X
8. Total (Lines 2 through 6)	5,718	X X X	X X X		X X X	292.924	X X X	X X X	X X X	293.350

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED CLAIMS  
(000 Omitted)

Vision Only

Section A - Paid Claims

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	X X X				
4. 2000	X X X	X X X			
5. 2001	X X X	X X X	X X X		
6. 2002	X X X	X X X	X X X	X X X	

Section B - Incurred Claims

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	X X X				
4. 2000	X X X	X X X			
5. 2001	X X X	X X X	X X X		
6. 2002	X X X	X X X	X X X	X X X	

Section C - Incurred Year Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3 / 2) Percent	5  Claims and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5 / 1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9 / 1) Percent
1. Prior to 1998	X X X			X X X		X X X				X X X
2. 1998										
3. 1999										
4. 2000										
5. 2001										
6. 2002										
7. Total (Lines 1 through 6)	X X X			X X X		X X X				X X X
8. Total (Lines 2 through 6)		X X X	X X X		X X X		X X X	X X X	X X X	



UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED CLAIMS  
(000 Omitted)

Federal Employees Health Benefits Plan Premiums

Section A - Paid Claims

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	X X X				
4. 2000	X X X	X X X			
5. 2001	X X X	X X X	X X X		
6. 2002	X X X	X X X	X X X	X X X	

Section B - Incurred Claims

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	X X X				
4. 2000	X X X	X X X			
5. 2001	X X X	X X X	X X X		
6. 2002	X X X	X X X	X X X	X X X	

Section C - Incurred Year Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3 / 2) Percent	5  Claims and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5 / 1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9 / 1) Percent
1. Prior to 1998	X X X			X X X		X X X				X X X
2. 1998										
3. 1999										
4. 2000										
5. 2001										
6. 2002										
7. Total (Lines 1 through 6)	X X X			X X X		X X X				X X X
8. Total (Lines 2 through 6)		X X X	X X X		X X X		X X X	X X X	X X X	

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED CLAIMS  
(000 Omitted)

Title XVIII - Medicare  
Section A - Paid Claims

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	X X X				
4. 2000	X X X	X X X			
5. 2001	X X X	X X X	X X X		
6. 2002	X X X	X X X	X X X	X X X	

Section B - Incurred Claims

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	X X X				
4. 2000	X X X	X X X			
5. 2001	X X X	X X X	X X X		
6. 2002	X X X	X X X	X X X	X X X	

Section C - Incurred Year Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3 / 2) Percent	5  Claims and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5 / 1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9 / 1) Percent
1. Prior to 1998	X X X			X X X		X X X				X X X
2. 1998										
3. 1999										
4. 2000										
5. 2001										
6. 2002										
7. Total (Lines 1 through 6)	X X X			X X X		X X X				X X X
8. Total (Lines 2 through 6)		X X X	X X X		X X X		X X X	X X X	X X X	

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED CLAIMS  
(000 Omitted)

Title XIX - Medicaid

Section A - Paid Claims

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	X X X				
4. 2000	X X X	X X X			
5. 2001	X X X	X X X	X X X		
6. 2002	X X X	X X X	X X X	X X X	

Section B - Incurred Claims

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	X X X				
4. 2000	X X X	X X X			
5. 2001	X X X	X X X	X X X		
6. 2002	X X X	X X X	X X X	X X X	

Section C - Incurred Year Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3 / 2) Percent	5  Claims and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5 / 1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9 / 1) Percent
1. Prior to 1998	X X X			X X X		X X X				X X X
2. 1998										
3. 1999										
4. 2000										
5. 2001										
6. 2002										
7. Total (Lines 1 through 6)	X X X			X X X		X X X				X X X
8. Total (Lines 2 through 6)		X X X	X X X		X X X		X X X	X X X	X X X	

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED CLAIMS  
(000 Omitted)

Other  
Section A - Paid Claims

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	X X X				
4. 2000	X X X	X X X			
5. 2001	X X X	X X X	X X X		
6. 2002	X X X	X X X	X X X	X X X	

Section B - Incurred Claims

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	X X X				
4. 2000	X X X	X X X			
5. 2001	X X X	X X X	X X X		
6. 2002	X X X	X X X	X X X	X X X	

Section C - Incurred Year Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3 / 2) Percent	5  Claims and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5 / 1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9 / 1) Percent
1. Prior to 1998	X X X			X X X		X X X				X X X
2. 1998										
3. 1999										
4. 2000										
5. 2001										
6. 2002										
7. Total (Lines 1 through 6)	X X X			X X X		X X X				X X X
8. Total (Lines 2 through 6)		X X X	X X X		X X X		X X X	X X X	X X X	

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED CLAIMS  
(000 Omitted)

Grand Total  
Section A - Paid Claims

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	X X X				
4. 2000	X X X	X X X	4		
5. 2001	X X X	X X X	X X X	545	4
6. 2002	X X X	X X X	X X X	X X X	445

Section B - Incurred Claims

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	X X X				
4. 2000	X X X	X X X	4		
5. 2001	X X X	X X X	X X X	542	4
6. 2002	X X X	X X X	X X X	X X X	448

Section C - Incurred Year Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claims and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. Prior to 1998	X X X			X X X		X X X				X X X
2. 1998	1,286	886			886	68.896			886	68.896
3. 1999	1,165	784			784	67.296			784	67.296
4. 2000	1,254	726			726	57.895			726	57.895
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6. 2002	940	449			449	47.766	4		453	48.191
7. Total (Lines 1 through 6)	X X X	3,393		X X X	3,393	X X X	4		3,397	X X X
8. Total (Lines 2 through 6)	5,718	X X X	X X X		X X X	292.924	X X X	X X X	X X X	293.350

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
POLICY RESERVE									
1. Unearned premium reserves		NONE							
2. Additional policy reserves (a)									
3. Reserve for future contingent benefits									
4. Reserve for rate credits or experience rating refunds (including \$ 0 ) for investment income									
5. Aggregate write-ins for other policy reserves									
6. Totals (gross)									
7. Reinsurance ceded									
8. Total (Net) (Page 3, Line 4)									
CLAIM RESERVE									
9. Present value of amounts not yet due on claims									
10. Reserve for future contingent benefits									
11. Aggregate write-ins for other claim reserves									
12. Totals (gross)									
13. Reinsurance ceded									
14. Total (Net) (Page 3, Line 5)									
DETAILS OF WRITE-INS									
0501.		NONE							
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page									
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)									
DETAILS OF WRITE-INS									
1101.		NONE							
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page									
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)									

(a) Includes \$ 0 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	1 Claim Adjustment Expenses	2 General Administrative Expenses	3 Investment Expenses	4 Total
1. Rent (\$ 0 for occupancy of own building)				
2. Salaries, wages and other benefits				
3. Commissions (less \$ 0 ceded plus \$ 0 assumed)		108,811		108,811
4. Legal fees and expenses				
5. Certifications and accreditation fees				
6. Auditing, actuarial and other consulting services				
7. Traveling expenses				
8. Marketing and advertising				
9. Postage, express and telephone				
10. Printing and office supplies				
11. Occupancy, depreciation and amortization				
12. Equipment				
13. Cost or depreciation of EDP equipment and software				
14. Outsourced services including EDP, claims, and other services				
15. Boards, bureaus and association fees				
16. Insurance, except on real estate				
17. Collection and bank service charges				
18. Group service and administration fees				
19. Reimbursements by uninsured accident and health plans				
20. Reimbursements from fiscal intermediaries				
21. Real estate expenses				
22. Real estate taxes				
23. Taxes, licenses and fees:				
23.1 State and local insurance taxes				
23.2 State premium taxes		5,708		5,708
23.3 Regulator authority licenses and fees				
23.4 Payroll taxes				
23.5 Other (excluding federal income and real estate taxes)				
24. Investment expenses not included elsewhere				
25. Aggregate write-ins for expenses		158,030		158,030
26. Total expenses incurred (Lines 1 to 25)		272,549	(a)	272,549
27. Add expenses unpaid December 31, prior year		16,146		16,146
28. Less expenses unpaid December 31, current year		22,382		22,382
29. Amounts receivable relating to uninsured accident and health plans, prior year				
30. Amounts receivable relating to uninsured accident and health plans, current year				
31. Total expenses paid (Lines 26 plus 27 minus 28 plus 29 plus 30)		266,313		266,313
DETAILS OF WRITE-INS				
2501. Management Fees		158,130		158,130
2502. Miscellaneous Expense/(Income)		(100)		(100)
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 + 2598) (Line 25 above)		158,030		158,030

(a) Includes management fees of \$ 158,130 to affiliates and \$ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U.S. Government bonds	(a) 4,434	4,321
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a)	
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash/short-term investments	(e)	
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. Total gross investment income	4,434	4,321
11. Investment expenses		(g)
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		
17. Net investment income - (Line 10 minus Line 16)		4,321
DETAILS OF WRITE-INS		
0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)		
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15, above)		
(a) Includes \$ 22 accrual of discount less \$ 102 amortization of premium and less \$ 0 paid for accrued interest on purchases.		
(b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.		
(c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.		
(d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.		
(e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.		
(f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.		
(g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.		
(h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.		
(i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.		

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4	5
	Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Net Gain (Loss) from Change in Difference Between Basis Book/Adjusted Carrying and Admitted Values	Total
1. U.S. Government bonds					
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)					
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash/short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)					
NONE					
DETAILS OF WRITE-INS					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)					
NONE					



EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS

	1 End of Current Year	2 End of Prior Year	3 Changes for Year (Increase) or Decrease
1. Summary of Items Page 2, Lines 10 to 13 and 15 to 20, Column 2	7,682	26,653	18,971
2. Other Nonadmitted Assets:			
2.1 Bills receivable			
2.2 Leasehold improvements			
2.3 Cash advanced to or in hands of officers and agents			
2.4 Loans on personal security, endorsed or not			
2.5 Commuted commissions			
3. Total (Lines 2.1 to 2.5)			
4. Aggregate write-ins for other assets	1,200	1,200	
5. Total (Line 1 plus Line 3 and 4)	8,882	27,853	18,971
DETAILS OF WRITE-INS			
0401. Rent Deposit	1,200	1,200	
0402.			
0403.			
0498. Summary of remaining write-ins for Line 4 from overflow page			
0499. Totals (Lines 0401 through 0403 plus 0498) (Line 4 above)	1,200	1,200	

EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations .....	10,181	9,761	9,037	8,484	8,451	110,066
2. Provider Service Organizations .....						
3. Preferred Provider Organizations .....						
4. Point of Service .....						
5. Indemnity Only .....						
6. Aggregate write-ins for other lines of business						
7. Total	10,181	9,761	9,037	8,484	8,451	110,066
DETAILS OF WRITE-INS						
0601. ....						
0602. ....						
0603. ....						
0698. Summary of remaining write-ins for Line 6 from overflow page .....						
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)						

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

a. Accounting Practices

The financial statements of American Dental Providers of Arkansas, Inc. ("the Company") are presented on the basis of accounting practices prescribed or permitted by the Arkansas Insurance Department.

The Arkansas Insurance Department recognizes only statutory accounting practices prescribed or permitted by the state of Arkansas for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Arkansas Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Arkansas.

b. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

c. Accounting Policy

- (1) Short term investments are carried at cost.
- (2) Bonds are carried at amortized cost.
- (3) N/A
- (4) N/A
- (5) N/A
- (6) N/A
- (7) N/A
- (8) N/A
- (9) N/A
- (10) The Company does not utilize anticipated investment income as a factor in the premium deficiency calculation.
- (11) Claim reserves were established using standard actuarial methods. Claim adjustment expenses were estimated using historical claim adjudication costs and combined with claim reserves for reporting.

2. Accounting Change and Correction of Error

a. Accounting changes adopted to conform to the provisions of the *NAIC Accounting Practices and Procedures* manual, effective January 1, 2001, are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is reported as an adjustment to unassigned funds in the period of the change in accounting principle. The cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at the date if the new accounting principles had been applied retroactively for all prior periods. As a result of these changes, the Company reported an increase of Capital and Surplus amounting to \$4,341, which was reflected as a cumulative effect of changes in accounting principles of \$5, 732 and a change in deferred income tax for (\$1,391).

b. The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the state of Arkansas. Effective January 1, 2001, the state of Arkansas required that insurance companies domiciled in the state of Arkansas prepare their statutory basis financial statements in accordance with the *NAIC Accounting Practices and Procedures* manual subject to any deviations prescribed or permitted by the state of Arkansas insurance commissioner.

c. During the current year, the Company realized a change in estimate for allowance for doubtful accounts for the year ended December 31, 2001. For the year December 31, 2001, admitted accident and health premiums due and unpaid (Assets page 2, line 10) was overstated by \$3,965 and net premium income (Statement of Revenue and Expenses page 4, line 2) was overstated by \$10,230. The net difference was an overstatement of change in nonadmitted assets (Statement of Revenue & Expenses (continued) page 5, line 37) by \$6,265. The current year Statement of Revenues & Expenses reflects a decrease of \$10,230 in net premium income with a corresponding decrease in Admitted Assets for the \$3,965 reduction on accident and health premiums due and unpaid and an increase in surplus for the reduction in the change of nonadmitted assets of \$6,265. This reporting is filed in accordance with Statutory Accounting Practices and Procedures No. 3, Accounting Change s and Corrections of Errors.

3. Business Combinations and Goodwill

None

4. Discontinued Operations

None

5. Investments

NOTES TO FINANCIAL STATEMENTS

None

6. Joint Ventures, Partnership and Limited Liability Companies

The Company has no investment in Joint Ventures, Partnerships or Limited Liability Companies.

7. Investment Income

No investment income due and accrued was excluded from surplus.

8. Derivative Instruments

None

9. Income Taxes

a. The components of the net deferred tax asset/(liability) at December 31, are as follows:

	2002	2001
(1) Total of all deferred tax assets (admitted and nonadmitted)	\$7,042	\$4,341
(2) Total of all deferred tax liabilities	0	0
(3) Total deferred tax assets nonadmitted in accordance with SSAP No. 10, Income Taxes	1,924	2,433
(4) Total of all deferred tax assets	5,118	1,908
(5) Increase (decrease) in deferred tax assets nonadmitted	\$ 509	(\$2,433)

b. Not applicable

c. The components of incurred income tax expense and the change in DTA's and DTLs are as follows:

- (1) Current income (benefit) tax incurred – (\$15,598) and \$41,611 for the years ended December 31, 2002 and 2001, respectively.
- (2) The main components of the 2002 deferred tax amount are as follows:

	Statutory	Tax	Difference	Tax Effect
<b>DTAs</b>				
Noncompete Agreements	\$ 0	\$6,165	\$6,165	\$2,158
Capitation Reserves	7,801	0	7,801	2,730
Reserves – Allowance for Doubtful Accounts	6,154	0	6,154	2,154
<b>DTAs nonadmitted</b>				
Noncompete Agreements	0	\$5,499	5,499	\$1,924

	Statutory	Tax	Difference	Tax Effect
DTLs	\$0	\$0	\$0	\$0

The main components of the 2001 deferred tax amount are as follows:

	Statutory	Tax	Difference	Tax Effect
<b>DTAs</b>				
Noncompete Agreements	\$ 0	\$6,832	\$6,832	\$2,391
Capitation Reserves	4,450	0	4,450	1,558
Reserves – Allowance for Doubtful Accounts	1,002	0	1,002	351
Fixed Assets	0	118	118	41
<b>DTAs nonadmitted</b>				
Noncompete Agreements	0	6,832	6,832	2,391
Fixed Assets	0	118	118	41

	Statutory	Tax	Difference	Tax Effect
DTLs	\$0	\$0	\$0	\$0

(3) The changes in main components of DTAs and DTL are as follows:

DTAs Resulting From Book/Tax Difference In	2002	2001	Change
DTAs			

NOTES TO FINANCIAL STATEMENTS

Noncompete Agreements	\$2,158	\$2,391	( \$233)
Capitation Reserves	2,730	1,558	1,172
Reserves – Allowance for Doubtful Accounts	2,154	351	1,803
Fixed Assets	0	41	(41)
DTAs nonadmitted	1,924	2,433	(509)

DTLs Resulting From Book/Tax Difference In	2002	2001	Change
DTL	\$0	\$0	\$0

d. The Company's income tax expense and change in DTA/DTL differs from the amount obtained by applying the federal statutory rate of 35% to Net Gain from Operations before Provision for Income Tax for the following reasons:

	2002
Expected federal income tax expense	(\$14,720)
Other amounts	( 878)
Total incurred income taxes	(\$15,598)

e. Not applicable

f. (1) The Company's federal income tax return is consolidated with the following entities:

CompBenefits Corporation (Ultimate Parent)	Vision Care, Inc.
American Prepaid Professional Services, Inc.	OHS, Inc.
American Dental Plan, Inc.	Diversified Administrators Inc.
American Dental Plan of Georgia, Inc.	OHS of Georgia, Inc.
CompDent of Alabama, Inc.	Dental Network Inc.
American Dental Plan of North Carolina, Inc.	Ultimate Optical Inc.
Dental Care Plus Management Corp	Texas Dental Plan, Inc.
DentiCare, Inc.	CompDent of Illinois, Inc.
CompDent Corporation	Dental Health Management Inc.
HealthStream Services, Inc.	DentLease Inc.
OHS of Alabama, Inc	Oral Health Services, Inc.
National Dental Plan, Inc.	CompDent Preferred Networks, Inc.
Diamond Dental of Arkansas, Inc.	American Dental Providers of Arkansas, Inc.
CompBenefits Insurance Company	

(2) The operations of the Company are consolidated for federal income tax purposes and filed in consolidated tax return with the Parent Company. Under a written tax sharing agreement, the Company is allocated a tax provision through the intercompany accounts, as if the Company filed separate income tax returns.

10. Information Concerning Parent, Subsidiaries and Affiliates

The Company is a wholly owned subsidiary of American Prepaid Professional Services, Inc. ("American Prepaid") which is a wholly owned subsidiary of CompBenefits Corporation (the "Parent Company").

At December 31,2002 and 2001, the Company reported \$19,781 and \$31,331, respectively, as amounts due to the Parent Company and its affiliates. The term of the settlement requires that these amounts are settled on a timely basis.

The Company has entered into an agreement with American Prepaid, whereby American Prepaid provides marketing, processing, and other administrative services to the Company for a management fee. The management fee may be waived if the Company will have a net loss after recognition of the fee or if such fees impair regulatory capital. The management fee for the year ended December 31, 2002 and 2001 was \$158,130 and \$163,560, respectively.

The Company has no guarantees or undertaking, written or otherwise, for the benefit of an affiliate or related party that results in a material contingent exposure of the reporting entity's or any related party's assets or liabilities.

The Company does not own shares of any upstream intermediate or of the Parent Company.

The Company does not have any investment with the Parent Company or any of its subsidiaries and affiliates.

The stock of the Company is pledged as collateral on the outstanding senior obligations of the Parent Company.

11. Debt

None

NOTES TO FINANCIAL STATEMENTS

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

None

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganization

(1) The Company has 1,000 shares of common stock at a par value of \$100.00 per share authorized, issued and outstanding. The Company does not have any preferred stock authorized, issued or outstanding.

(2) Preferred stock issues – Not applicable

(3) Ordinary dividends are limited to the available net worth for the state of Arkansas. The Company did not pay ordinary dividends in 2002.

(4) The portion of the Company's profit that may be paid as ordinary dividends to stockholders in 2003 is \$44,311.

(5) There were no restrictions placed on the Company's surplus.

(6) Total amount of advances to surplus not repaid - Not applicable

(7) Stock held for special purposes - Not applicable

(8) Special surplus funds - Not applicable

(9) The portion of unassigned funds (surplus) represented or reduced by each items below is as follows:

- a) Unrealized gains or losses - \$0
- b) Nonadmitted asset value - \$8,882
- c) Separate account business - \$0
- d) Asset valuation reserves - \$0
- e) Provision for reinsurance - \$0

(10) Surplus Notes - Not applicable

(11) Quasi-Reorganization - Not applicable

(12) Effective date of a quasi-reorganization – Not applicable

14. Contingencies

None

15. Leases

None

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentration of Credit Risk

Not applicable

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

Not applicable

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

None

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Not applicable

20. Other Items

None

21. Events Subsequent

NOTES TO FINANCIAL STATEMENTS

None

22. Reinsurance

Not applicable

23. Retrospectively Rated Contracts

None

24. Change in Incurred Claims and Claim Adjustment Expenses

The Company experienced no significant changes in the provision for incurred claims and claim adjustment expenses attributable to insured events of prior years.

25. Intercompany Pooling Arrangements

Not applicable

26. Structured Settlements

Not applicable

27. Health Care Receivables

Not applicable

28. Participating Policies

Not applicable

29. Premium Deficiency Reserves

Not applicable

30. Anticipated Salvage and Subrogation

Not applicable

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	105,177	51.261	105,177	51.261
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies				
1.22 Issued by U.S. government sponsored agencies				
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations				
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (including residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA				
1.512 Issued by FNMA and FHLMC				
1.513 Privately issued				
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC				
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC				
1.523 All other privately issued				
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)				
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds				
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (includes \$ 0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (\$ 0 including property acquired in satisfaction of debt)				
6. Policy loans				
7. Receivables for securities				
8. Cash and short-term investments	100,001	48.739	100,001	48.739
9. Other invested assets				
10. Total invested assets	205,178	100.000	205,178	100.000



GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒ No ☐
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☒ No ☐ N/A ☐
- 1.3

State Regulating?

Arkansas
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☒ No ☐
- 2.2

If yes, date of change:  
If not previously filed, furnish herewith a certified copy of the instrument as amended.

05/21/2002
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2001
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

01/10/2003
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

02/10/2003
- 3.4

By what department or departments? Arkansas Department of Insurance
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11

sales of new business?

Yes ☐ No ☒

4.12

renewals?

Yes ☐ No ☒
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21

sales of new business?

Yes ☐ No ☒

4.22

renewals?

Yes ☐ No ☒
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒
- 5.2

If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile
	00000	
	00000	
	00000	
	00000	
	00000	

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement)

Yes ☐ No ☒
- 6.2

If yes, give full information
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ☐ No ☒
- 7.2

If yes,

7.21

State the percentage of foreign control

0 %

7.22

State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager, or attorney-in-fact)

1	2
Nationality	Type of Entity

GENERAL INTERROGATORIES

(continued)

8.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Ernst & Young, LLP  
600 Peachtree Street, Suite 2800, Atlanta, GA. 30308-2215
9.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? Alan Stewart  
100 Mansell Court East, Suite 400, Roswell, GA.  
CompBenefits Corporation - Chief Actuary
10.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 10.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?  
  
N/A
- 10.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [ ☐ ] No [ ☒ ]
- 10.3

Have there been any changes made to any of the trust indentures during the year?

Yes [ ☐ ] No [ ☒ ]
- 10.4

If answer to (10.3) is yes, has the domiciliary or entry state approved the changes?

Yes [ ☐ ] No [ ☐ ] N/A [ ☒ ]

BOARD OF DIRECTORS

11.

Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes [ ☒ ] No [ ☐ ]
12.

Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes [ ☒ ] No [ ☐ ]
13.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or is likely to conflict with the official duties of such person?

Yes [ ☒ ] No [ ☐ ]

FINANCIAL

- 14.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

14.11

To directors or other officers

\$ 0

14.12

To stockholders not officers

\$ 0

14.13

Trustees, supreme or grand (Fraternal only)

\$ 0
- 14.2

Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

14.21

To directors or other officers

\$ 0

14.22

To stockholder not officers

\$ 0

14.23

Trustees, supreme or grand (Fraternal only)

\$ 0
- 15.1

Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes [ ☐ ] No [ ☒ ]
- 15.2

If yes, state the amount thereof at December 31 of the current year:

15.21

Rented from others

\$ 0

15.22

Borrowed from others

\$ 0

15.23

Leased from others

\$ 0

15.24

Other

\$ 0

Disclose in Notes to Financial the nature of each obligation.
- 16.1

Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes [ ☐ ] No [ ☒ ]
- 16.2

If answer is yes:

16.21

Amount paid as losses or risk adjustment

\$ 0

16.22

Amount paid as expenses

\$ 0

16.23

Other amounts paid

\$ 0

GENERAL INTERROGATORIES  
(continued)  
INVESTMENT

17. List the following capital stock information for the reporting entity:

Class	1 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price If Callable	5 Is Dividend Rate Limited?	6 Are Dividends Cumulative?
Preferred	0	0	0	0	Yes [ ] No [X]	Yes [ ] No [X]
Common	1,000	1,000	100	X X X	X X X X X X	X X X X X X

18.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 2 - Special Deposits? Yes [X] No [ ]

18.2 If no, give full and complete information, relating thereto 0  
0  
0

19.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 2 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 15.1). Yes [ ] No [X]

19.2 If yes, state the amount thereof at December 31 of the current year:

19.21	Loaned to others	\$	0
19.22	Subject to repurchase agreements	\$	0
19.23	Subject to reverse repurchase agreements	\$	0
19.24	Subject to dollar repurchase agreements	\$	0
19.25	Subject to reverse dollar repurchase agreements	\$	0
19.26	Pledged as collateral	\$	0
19.27	Placed under option agreements	\$	0
19.28	Letter stock or securities restricted as to sale	\$	0
19.29	Other	\$	0

19.3 For each category above, if any of these assets are held by other, identify by whom held:

19.31	0
19.32	0
19.33	0
19.34	0
19.35	0
19.36	0
19.37	0
19.38	0
19.39	0

For categories (19.21) and (19.23) above, and for any securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement

19.4 For category (19.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
		0
		0
		0
		0
		0

20.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]

20.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [X]

If no, attach a description with this statement.

21.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [X]

21.2 If yes, state the amount thereof at December 31 of the current year. \$ 0

22. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

22.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address

GENERAL INTERROGATORIES

(continued)

INVESTMENT

22.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

22.03 Have there been any changes, including name changes, in the custodian(s) identified in 22.01 during the current year? Yes [ ☐ ] No [ ☒ ]

22.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

22.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
None		

OTHER

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ 0

23.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
None	\$ 0
	\$ 0
	\$ 0
	\$ 0

24.1 Amount of payments for legal expenses, if any? \$ 0

24.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
None	\$ 0
	\$ 0
	\$ 0
	\$ 0

25.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$ 0

25.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or department of government during the period covered by this statement.

1 Name	2 Amount Paid
None	\$ 0
	\$ 0
	\$ 0
	\$ 0

GENERAL INTERROGATORIES

(Continued)

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

YES [   ]      NO [ X ]

1.2 If yes, indicate premium earned on U.S. business only.

\$  0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$  0

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above

\$  0

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$  0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned

1.62 Total incurred claims

1.63 Number of covered lives

All years prior to most current three years:

1.64 Total premium earned

1.65 Total incurred claims

1.66 Number of covered lives

1.7 Group policies:

Most current three years:

1.71 Total premium earned

1.72 Total incurred claims

1.73 Number of covered lives

All years prior to most current three years:

1.74 Total premium earned

1.75 Total incurred claims

1.76 Number of covered lives

2.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

YES [   ]      NO [ X ]

2.2 If yes, give particulars:

3.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency?

YES [ X ]      NO [   ]

3.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

YES [   ]      NO [ X ]

4.1 Does the reporting entity have stop-loss reinsurance?

YES [   ]      NO [ X ]

4.2 If no, explain:

Not applicable; Prepaid Dental Plan

4.3 Maximum retained risk (see instructions)

4.31 Comprehensive Medical

4.32 Medical Only

4.33 Medicare Supplement

4.34 Dental

4.35 Other Limited Benefit Plan

4.36 Other

5. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

None

6.1 Does the reporting entity set up its claim liability for provider services on a service data base?

YES [   ]      NO [ X ]

6.2 If no, give details

Not applicable; Prepaid Dental Plan

7. Provide the following information regarding participating providers:

7.1 Number of providers at start of reporting year

7.2 Number of providers at end of reporting year

8.1 Does the reporting entity have business subject to premium rate guarantees?

YES [   ]      NO [ X ]

8.2 If yes, direct premium earned:

8.21 Business with rate guarantees between 15-36 months

8.22 Business with rate guarantees over 36 months

9.1 Does the reporting entity have Bonus/Withhold Arrangements in its provider contracts?

YES [   ]      NO [ X ]

9.2 If Yes:

9.21 Maximum amount payable bonuses

9.22 Amount actually paid for year bonuses

9.23 Maximum amount payable withholds

9.24 Amount actually paid for year withholds

10. List service areas in which reporting entity is licensed to operate:

1		
Name of Service Area		
State of Arkansas		

FIVE-YEAR HISTORICAL DATA

	1	2	3	4	5
	2002	2001	2000	1999	1998
<b>BALANCE SHEET ITEMS</b> (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 23)	226,291	243,810	574,915	725,517	689,278
2. Total liabilities (Page 3, Line 18)	81,980	84,483	36,242	34,258	79,609
3. Statutory surplus	100,000	100,000	100,000	100,000	100,000
4. Total capital and surplus (Page 3, Line 26)	144,311	159,327	538,673	691,259	609,669
<b>INCOME STATEMENT ITEMS</b> (Page 4)					
5. Total revenues (Line 7)	929,775	1,072,912	1,254,178	1,165,020	1,285,777
6. Total medical and hospital expenses (Line 17)	743,313	691,715	729,720	784,230	822,899
7. Total administrative expenses (Line 19)	272,549	305,510	318,712	389,614	439,220
8. Net underwriting gain (loss) (Line 22)	(86,087)	75,687	205,746	(8,824)	23,658
9. Net investment gain (loss) (Line 25)	4,321	7,022	6,140	4,577	5,215
10. Total other income (Line 26 plus 27)	29,480	36,428	39,809	93,482	46,021
11. Net income or (loss) (Line 30)	(36,688)	119,137	251,695	89,235	74,894
<b>RISK-BASED CAPITAL ANALYSIS</b>					
12. Total adjusted capital	144,311	159,327	538,673	691,259	0
13. Authorized control level risk-based capital	26,665	26,229	20,208	25,595	0
<b>ENROLLMENT</b> (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7)	8,451	10,181	11,593	10,937	12,961
15. Total members months (Column 6, Line 7)	110,066	132,346	137,742	144,791	162,119
<b>OPERATING PERCENTAGE</b> (Page 4) (Item divided by Page 4, sum of Lines 2, 3, and 5)					
16. Premiums earned (Line 2 plus 3)	100.0	100.0	100.0	100.0	100.0
17. Total medical and hospital (Line 17)	79.9	64.5	58.2	67.3	64.0
18. Total underwriting deductions (Line 21)	109.3	92.9	83.6	100.8	98.2
19. Total underwriting gain (loss) (Line 22)	(9.3)	7.1	16.4	(0.8)	1.8
<b>UNPAID CLAIMS ANALYSIS</b> (U&I Exhibit, Part 2B)					
20. Total claims incurred for prior years (Line 11, Col. 5)	4,450	4,058	3,403	3,206	307
21. Estimated liability of unpaid claims - [prior year (Line 11, Col. 6)]	4,450	6,819	3,403	3,206	65,947

FIVE-YEAR HISTORICAL DATA (Continued)

	1	2	3	4	5
	2002	2001	2000	1999	1998
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
22. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)	0	0	0	0	0
23. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)	0	0	0	0	0
24. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2)	0	0	0	0	0
25. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)	0	0	0	0	0
26. Affiliated mortgage loans on real estate	0	0	0	0	0
27. All other affiliated	0	0	0	0	0
28. Total of above Lines 22 to 27	0	0	0	0	0

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value (a)	Actual Cost	Par Value of Bonds
BONDS  Governments (Including all obligations guaranteed by governments)	1. United States .....	105,177	107,100	105,279	105,000
	2. Canada .....				
	3. Other Countries .....				
	4. Totals	105,177	107,100	105,279	105,000
States, Territories and Possessions (Direct and guaranteed)	5. United States .....				
	6. Canada .....				
	7. Other Countries .....				
	8. Totals				
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States .....				
	10. Canada .....				
	11. Other Countries .....				
	12. Totals				
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States .....				
	14. Canada .....				
	15. Other Countries .....				
	16. Totals				
Public Utilities (unaffiliated)	17. United States .....				
	18. Canada .....				
	19. Other Countries .....				
	20. Totals				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States .....				
	22. Canada .....				
	23. Other Countries .....				
	24. Totals				
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	105,177	107,100	105,279	105,000
PREFERRED STOCKS  Public Utilities (unaffiliated)	27. United States .....				
	28. Canada .....				
	29. Other Countries .....				
	30. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States .....				
	32. Canada .....				
	33. Other Countries .....				
	34. Totals				
Industrial and Miscellaneous (unaffiliated)	35. United States .....				
	36. Canada .....				
	37. Other Countries .....				
	38. Totals				
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks				
COMMON STOCKS  Public Utilities (unaffiliated)	41. United States .....				
	42. Canada .....				
	43. Other Countries .....				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States .....				
	46. Canada .....				
	47. Other Countries .....				
	48. Totals				
Industrial and Miscellaneous (unaffiliated)	49. United States .....				
	50. Canada .....				
	51. Other Countries .....				
	52. Totals				
Parent, Subsidiaries and Affiliates	53. Totals				
	54. Total Common Stocks				
	55. Total Stocks				
	56. Total Bonds and Stocks	105,177	107,100	105,279	

(a) The aggregate value of bonds which are valued at other than actual fair value is \$ 0.

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year .....	104,978	6. Foreign Exchange Adjustment:	
2. Cost of bonds and stocks acquired, Column 6, Part 3 .....	105,279	6.1 Column 17, Part 1 .....	
3. Increase (decrease) by adjustment:		6.2 Column 13, Part 2, Section 1 .....	
3.1 Column 16, Part 1 .....	(102)	6.3 Column 11, Part 2, Section 2 .....	
3.2 Column 12, Part 2, Section 1 .....		6.4 Column 11, Part 4 .....	
3.3 Column 10, Part 2, Section 2 .....		7. Book/adjusted carrying value at end of current period .....	105,177
3.4 Column 10, Part 4 .....	22	8. Total valuation allowance .....	
4. Total gain (loss), Column 14, Part 4 .....	(80)	9. Subtotal (Lines 7 plus 8) .....	105,177
5. Deduct consideration for bonds and stocks disposed of Column 6, Part 4 .....	105,000	10. Total nonadmitted amounts .....	
		11. Statement value of bonds and stocks, current period .....	105,177



SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

		1	2	Direct Business Only			
				3	4	5	6
State, Etc.		Guaranty Fund (Yes or No)	Is Insurer Licensed (Yes or No)	Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums
1.	Alabama	AL	NO				
2.	Alaska	AK	NO				
3.	Arizona	AZ	NO				
4.	Arkansas	AR	YES	935,529			
5.	California	CA	NO				
6.	Colorado	CO	NO				
7.	Connecticut	CT	NO				
8.	Delaware	DE	NO				
9.	Dist. Columbia	DC	NO				
10.	Florida	FL	NO				
11.	Georgia	GA	NO				
12.	Hawaii	HI	NO				
13.	Idaho	ID	NO				
14.	Illinois	IL	NO				
15.	Indiana	IN	NO				
16.	Iowa	IA	NO				
17.	Kansas	KS	NO				
18.	Kentucky	KY	NO				
19.	Louisiana	LA	NO				
20.	Maine	ME	NO				
21.	Maryland	MD	NO				
22.	Massachusetts	MA	NO				
23.	Michigan	MI	NO				
24.	Minnesota	MN	NO				
25.	Mississippi	MS	NO				
26.	Missouri	MO	NO				
27.	Montana	MT	NO				
28.	Nebraska	NE	NO				
29.	Nevada	NV	NO				
30.	New Hampshire	NH	NO				
31.	New Jersey	NJ	NO				
32.	New Mexico	NM	NO				
33.	New York	NY	NO				
34.	North Carolina	NC	NO				
35.	North Dakota	ND	NO				
36.	Ohio	OH	NO				
37.	Oklahoma	OK	NO				
38.	Oregon	OR	NO				
39.	Pennsylvania	PA	NO				
40.	Rhode Island	RI	NO				
41.	South Carolina	SC	NO				
42.	South Dakota	SD	NO				
43.	Tennessee	TN	NO				
44.	Texas	TX	NO				
45.	Utah	UT	NO				
46.	Vermont	VT	NO				
47.	Virginia	VA	NO				
48.	Washington	WA	NO				
49.	West Virginia	WV	NO				
50.	Wisconsin	WI	NO				
51.	Wyoming	WY	NO				
52.	American Samoa	AS	NO				
53.	Guam	GU	NO				
54.	Puerto Rico	PR	NO				
55.	US Virgin Islands	VI	NO				
56.	Canada	CN	NO				
57.	Aggregate Other Alien	OT	X X X				
58.	Total (Direct Business)	X X X	(a) 1	935,529			
DETAILS OF WRITE-INS							
5701.							
5702.							
5703.							
5798. Summary of remaining write-ins for Line 57 from overflow page							
5799. Totals (Lines 5701 through 5703 plus 5798) (Line 57 above)							
Explanation of basis of allocation by states, premiums by state, etc.							

(a) Insert the number of yes responses except for Canada and other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

1219	CompDent	00000	DE	04-3185995	CompBenefits Corporation (Ultimate Controlling Person)
		00000	FL	59-1843760	American Prepaid Professional Services Inc. (Parent - Benefits Group)
1219		52015	FL	59-2531815	American Dental Plan Inc. (Florida) (Sub)
		00000	GA	59-2688009	American Dental Plan of Georgia Inc. (Sub)
		49956	AL	58-1959030	CompDent of Alabama Inc. (Sub)
1219		95107	NC	56-1796975	American Dental Plan of North Carolina Inc. (Sub)
1219		95161	TX	76-0039628	DentiCare Inc. (Sub)
1219		96205	KY	35-1442318	CompDent Corporation (Sub)
		00000	TN	62-1249171	HealthStream Services Inc. (Sub)
		00000	TX	74-2352809	Texas Dental Plans Inc. (Sub)
		00000	DE	58-2228851	National Dental Plans Inc. (Sub)
		00000	TX	74-2552904	CompDent Preferred Networks Inc. (Sub)
		00000	DE	58-2302173	Diamond Dental of Arkansas Inc. (Sub)
1219		11559	DE	58-2302163	American Dental Providers of Arkansas Inc. (Sub)
1219		60984	TX	74-2552026	CompBenefits Insurance Company (Sub)
1219		00000	FL	59-1958717	Oral Health Services Inc. (Florida) (Sub)
1219		00000	FL	59-3356439	Vision Care Inc. (Sub)
		00000	FL	65-0274594	OHS Inc. (Sub)
		00000	FL	65-0225781	Diversified Administrators Inc. (Sub)
		00000	GA	58-2198538	OHS of Georgia Inc. (Sub)
		00000	AL	63-1063101	OHS of Alabama Inc. (Sub)
		00000	FL	65-0827688	Dental Network Inc. (Sub)
		00000	FL	65-0856480	Ultimate Optical Inc. ( Sub)
		00000	IL	36-3512545	Dental Care Plus Management Corp. (Sub)
1219		00000	IL	36-3686002	CompDent of Illinois Inc (Sub)
		00000	DE	58-2296049	Dental Health Management Inc. (Parent Practice Managment Group)
		00000	DE	58-2296053	DentLease Inc. (Sub)
					* CompBenefits Corp. (DE) own 100% of American Prepaid Professional Services Inc. and Dental Health Management Inc.
					American Prepaid Professional Services Inc. owns 100% of all the listed subsidiaries with the exception of the following:
					(1) Dental Care Plus Managment Corp. owns 100% of CompDent of Illinois.
					(2) OHS Inc. owns 100% of Oral Health Services Inc. Vision Care Inc. OHS of Georgia Inc. OHS of Alabama Inc. Diversified Administrators Inc. Dental Network Inc. and Ultimate Optical Inc.
					(3) Dental Health Management Inc. owns 100% of DentLease.

OVERFLOW PAGE FOR WRITE-INS